

2017 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT



1.1 ABOUT THIS REPORT

REPORTING PERIOD

This report covers the reporting period from January 1, 2017 to December 31, 2017

REPORTING SCOPE

This Environmental and Social Responsibility Report covers the Company and its subsidiaries (the “Company”) engaging in the expressway business, excluding Zheshang Securities Co., Ltd. and its associates, joint ventures and joint-stock companies.

BASIS OF PREPARATION

Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange

SOURCE OF INFORMATION

All information referred to in this report is derived from the official documents, statistical reports and financial reports of the Company, and has been verified by a third party. All information referred to in this report is solely for the purpose of disclosure on the progress of sustainability management of the Company and shall not be used for commercial purposes.

As the Company acquired 100% equity interest in Huangshan Yangtze Huihang Expressway Co., Ltd in 2016, the figures of such subsidiary are consolidated since January 1, 2017.

LANGUAGES

This report is prepared in both traditional Chinese and English.



1.2 CHAIRMAN'S STATEMENT



In 2017, the daily average number of vehicles passing through the toll stations of our five expressways, namely Shanghai-Hangzhou-Ningbo Expressway, Shangsang Expressway, Ningbo-Jinhua Expressway, Hanghui Expressway and Huihang Expressway, exceeded 30,000 vehicles in aggregate. The mobility of goods and money has facilitated the reform and opening-up of China. At the same time, the carbon dioxide emissions from the rolling of vehicles are constantly depleting the protective ozone layer of our mother earth.

We cannot change the world alone, but we can make a change starting from ourselves. We influence and change the environment, thus contributing to the harmony of the global ecosystem. As for our mother earth that nurtures us, we wish there will be blue skies, white clouds, green mountains and clear waters. Consequently, we shoulder heavy responsibilities – responsibilities that we are willing to take for the fruits to be harvested.

The year 2017 marked the 20th anniversary of the Company upon listing. We relentlessly endeavour to enhance our brand image and safeguard safety and smooth passage as our core social responsibility while stepping up our resources in operational management and introducing innovative measures. Our Shanghai-Hangzhou-Ningbo Expressway and Shangsang Expressway, as two key main lanes in the national expressway network, have maintained sound road conditions under high traffic flow for many years.

In the past five years (2013-2017), the Company successively acquired 76.55% equity interest in the Jinhua Section of the Ningbo-Jinhua Expressway, 80.614% equity interest in Hanghui Expressway and 100% equity interest in Huihang Expressway. We were engaged to provide management services to Shensuzhewan Expressway, Shenjiahuhang Expressway, South Link Expressway of Jiaxing Qiantang River Tunnel and Yidong Expressway. Our efforts have drawn us closer to achieving the mission of allowing people to lead a better life.

At the company level, we aim to become a leading player in expressway operations and management in China and endeavour to ensure the safety and smooth passage of expressways while actively building the golden passage of road transportation and opening up the golden passage to the capital market. We will strive to enhance the standard of management, our image and performance with a view to maximising returns for the country, our shareholders, the Company and employees.

At the company level, we insist on training our employees to lead a better life by caring for the earth, ecology, energy saving and emission reduction and green environment. On the other hand, we take a proactive approach toward green works and green living with focus on strengthening the environmental governance, awareness and responsibilities and preventing further deterioration of the global ecosystem to attain sustainable development.

At the company level, we strive to create a corporate value system of integrity, harmony, openness and eagerness. By providing a sound working environment and an upbeat working atmosphere for our employees, we endeavour to build a career platform that can facilitate employees to explore their potentials.

We are a social and public enterprise shouldering the responsibilities a social and public enterprise ought to take.

We undertake that we are a law-abiding and operations compliant enterprise.

Looking into the year 2018, what we need for the future is green and sustainable development.

Let us put our hands together and make concerted efforts in pursuit of excellence.

ZHAN Xiaozhang

March 29, 2018



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1.4 2017 REVIEW



Total no. of employees
of the Company

3,400

NovaChip technology noise
reduction coverage

10

km

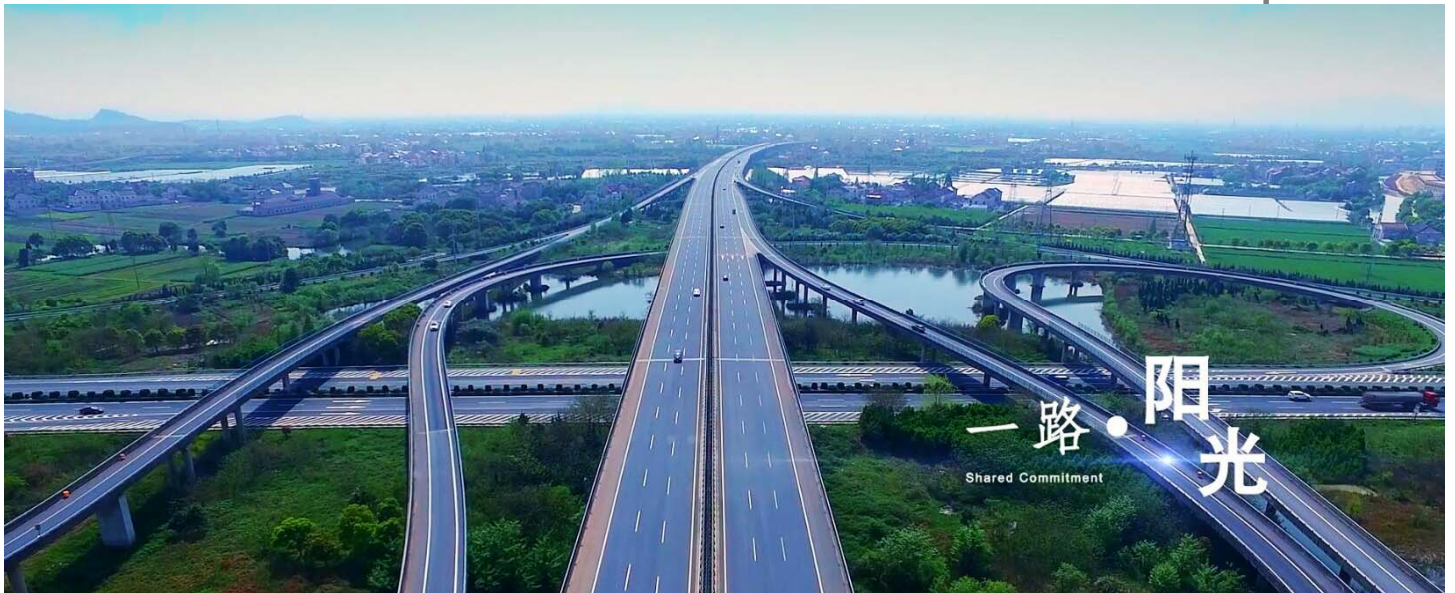
Total greenhouse gas
emissions

21,084.30

tCO₂ equivalent^①

No. of agricultural trucks
using the green lanes for free

1,044,500



Road maintenance waste
recycling rate

100%

Toll station quality service rate

100%

Employee training rate

100%

Social insurance coverage

100%

① Unit of greenhouse gas emissions



1.5 CORPORATE GOVERNANCE

About the Company



Established in March 1997, Zhejiang Expressway Co., Ltd. is headquartered at No. 2, Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province in China. In May 1997, the H Shares of the Company were listed on the Hong Kong Stock Exchange and the proceeds from the initial public offering amounted to RMB3,685 million, opening up the financing channel that links the transportation in Zhejiang and the international capital market. The Company is Zhejiang Province's first and only state-owned provincial enterprise listed on the Hong Kong Stock Exchange. Currently, the expressways operated by the Company include Shanghai-Hangzhou-Ningbo Expressway (Zhejiang section), Shangsang Expressway, Ningbo-Jinhua Expressway (Jinhua section), Hanghui Expressway and Huihang Expressway.



The Company attaches great importance to enhancing the governance mechanism and the development of corporate culture. Upon listing in Hong Kong, the shares of the Company are listed on the London Stock Exchange as secondary listing. In strict compliance with relevant laws and regulations at home and abroad, the Company insists on regulated operations in accordance with the corporate governance structure of the listed company. The Company has won titles namely "Best Corporate Governance" and "Best Investor Relations" under the category of the PRC listed companies by internationally renowned financial magazines such as Asiamoney and Forbes for a number of times, which help establish a good image in the international capital market and make positive contributions to extending its influence outside Zhejiang Province. Under the Group's culture of "Concerted responsibilities, efforts and innovation", the Company actively promotes a pleasant and happy work environment among the employees such that they can share fruits of success of corporate reform and development. In the recent five years, the Company has obtained 22 national and 75 provincial honours and accolades.

Vision: To create an internationalised investment holding company with the highest level of integrity

Mission: To build the road through the world and create the future by harmonious development

Core values: Integrity, harmony, openness and aggressiveness

Corporate spirit: Willing to give; daring to take responsibility; and having the courage to excel

Objective: To develop itself into a leading management enterprise in the expressway industry in China

Talent philosophy: Respect and development

Execution philosophy: To be a pioneer in execution and execute in a sound manner

Team philosophy: Put your hearts together and work hand in hand to create win-win

Integrity philosophy: Cultivate virtues and run your business with integrity

Four hearts: Responsibility, honesty, self-discipline and aggressive attitude

Four forces: Execution, synergy, growth and innovation



2 POLLUTANTS CONTROL

2.1 Environmental policies and compliance

Guided by the environmental principles of “energy saving, consumption reduction and green environment”, the Company strictly abides by the principle of thrift and environmental protection in strict compliance with the laws and regulations to achieve sustainable development. The Company implements the environmental impact assessment and completion acceptance system on expansion projects in accordance with the laws and conducts compliance evaluation in its operations as part of its efforts in compliant operations as to the environment.

2.2 Type and quantity of emissions

The major types of emissions of the Company include noise, domestic wastewater and wastes.



Noise

NovaChip technology, an advanced technology to reduce noise of moving vehicles via repairing the road surface, is adopted. Upon adoption, noise level of ordinary road surface can be reduced by **2-4 decibels**. Regular road patrol is conducted to timely deal with broken road surface to reduce unusual noise of moving vehicles. At the scene of accident, where the results are guaranteed, **light instead of broadcasting** is adopted as far as possible for indication to minimise disruption to people.



Domestic wastewater

The domestic wastewater of the Company mainly comprises the canteen wastewater of various management offices. Through thrift propaganda to reduce wastewater production, coupled with active communication with local government to divert domestic wastewater to the sewage network after grease trap treatment. In 2017, domestic wastewater produced amounted to 103,049 tonnes in aggregate. In 2017, the domestic wastewater of **two** toll stations in Yuhang and Desheng was **added** to the sewage network.



Wastes

In 2017, road maintenance wastes amounted to 61,740 cubic metres. The “low carbon, environmentally friendly and efficient” asphalt road surface hot-in-place recycling technology is adopted to maintain the road surface such as **100%** of the original asphalt road surface materials can be recycled. Wastes not applicable to this technology but produced in maintenance are used for repairs of slopes or lower grade roads, thus achieving a utilisation rate of **approximately 100%** for maintenance wastes. Domestic garbage is processed regularly by local environmental and hygiene companies.

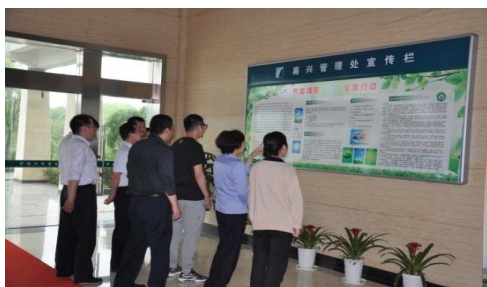




3 USE OF RESOURCES

3.1 Policy on use of resources

The Company continues to implement systems including the Energy and Resources Management System, the Administrative Measures on Energy Saving and Emission Reduction and the Measures for Assessment of Energy Saving and Emission Reduction and arranges for the implementation of various works. These systems provide the requirements on managing gasoline consumption in vehicles, managing gasoline and fuel consumption in production, managing and monitoring electricity consumption, managing water resources, formulating energy saving and emission reduction proposals, executing, monitoring and adjusting energy saving and emission reduction proposals as well as supervising and assessing energy saving and emission works. These systems further regulate the commencement of various activities in the course of energy management, providing assurance and basis for the commencement of energy saving and emission reduction works.



Snapshot of promotion events on energy saving and emission reduction

In 2017, pursuant to the Notice on Issuing the Technology Development Phase, Informatisation, Energy Saving and Emission Reduction Project Planning of Zhejiang Communications Investment Group Co., Ltd. under the 13th Five-Year Plans (Zhe Jiao Tou [2017] No.57) issued by Zhejiang Communications Investment Group Co., Ltd., various energy saving restructuring works were kicked off intensively and the monthly energy saving routine promotions and the energy saving promotion week for June were held.

The LED energy saving lighting replacement and the photovoltaic power generation project were implemented as scheduled. These systems were implemented in a sound manner with fruitful results.





3.2 Consumption and greenhouse gas emissions

Consumption: Energy consumption of the Company mainly includes electricity, diesel and gasoline.

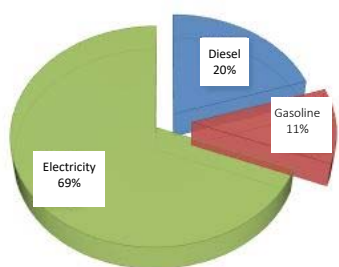
Year	Electricity (kwh)	Diesel (L)	Gasoline (L)	Standard coal (tce)	Intensity (tce/km)	Intensity reduction (%)	Remark
2016	23,614,864	718,332	454,543	4,290.65	7.38	/	Excluding Huihang
2017	25,647,854	729,383	480,939	4,582.70	6.91	6.38	Including Huihang

(1) The standard coal coefficient of various energy sources is based on the General Principles for Calculation of Gross Energy Consumption (GB/T2589-2008): standard electricity coefficient is 0.1229 kgce/kwh; standard diesel coefficient is 1.4571 kgce/kg; standard gasoline coefficient is 1.4714 kgce/kg; diesel density is 0.86 kg/L; and gasoline density is 0.73 kg/L.

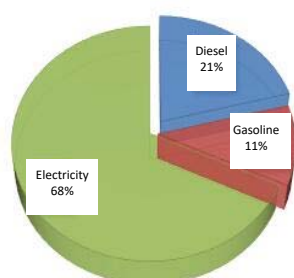
(2) Total mileage under operation in 2016: 581.6 km; total mileage under operation in 2017 after addition of Huihang Expressway: 663.2 km.

(3) In 2017, Huihang Co was incorporated under the Company's management with total mileage of 81.6 km.

(4) Energy consumption intensity in 2017 was 6.91 tce/km, down by 6.38% as compared to 7.38 tce/km in 2016. Energy saving efficiency was good.

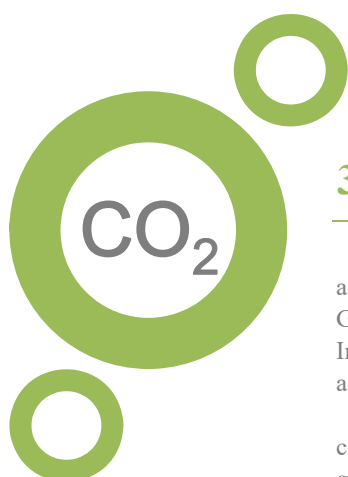


Energy consumption
distribution in 2017



Energy consumption
distribution in 2016

Based on the statistics, lighting replacement investments for all tunnels amounted to approximately RMB9.50 million. Upon lighting replacement, tariff savings amounted to **approximately RMB780,000** per year. At the same time, investments amounting to approximately RMB3.30 million were made to install high mast LED lights in expressways including Shanghai-Hangzhou-Ningbo Expressway. It is expected that the tariff savings upon installation will be **approximately RMB360,000** per year.



3.3 Greenhouse gas emissions

Zhejiang Expressway Co., Ltd.'s 2017 emission reporting and the accounting methods are based on the Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions of Road Transport Enterprises (Trial). In 2017, Huihang Co was incorporated under the Company's management, adding new expressway mileage of 81.6 km.

The main type of greenhouse gases of Zhejiang Expressway Co., Ltd. is carbon dioxide. In 2016, based on the accounting methods and reporting guidelines, total greenhouse gas emissions amounted to 19,565.57 tCO₂ equivalent; total mileage of expressway operations was 581.6 km; and standard greenhouse gas emission intensity was 33.64 tCO₂/km. In 2017, total greenhouse gas emissions amounted to 21,084.30 tCO₂ equivalent; total mileage of expressway operations was 663.2 km; and standard greenhouse gas emission intensity was 31.7198 tCO₂/km.

In 2017, total greenhouse gas emissions of Zhejiang Expressway Co., Ltd. increased by 7.76% from 2016, mainly attributable to the carbon emissions of Huihang Co. However, overall greenhouse gas emission intensity decreased by 5.50%.

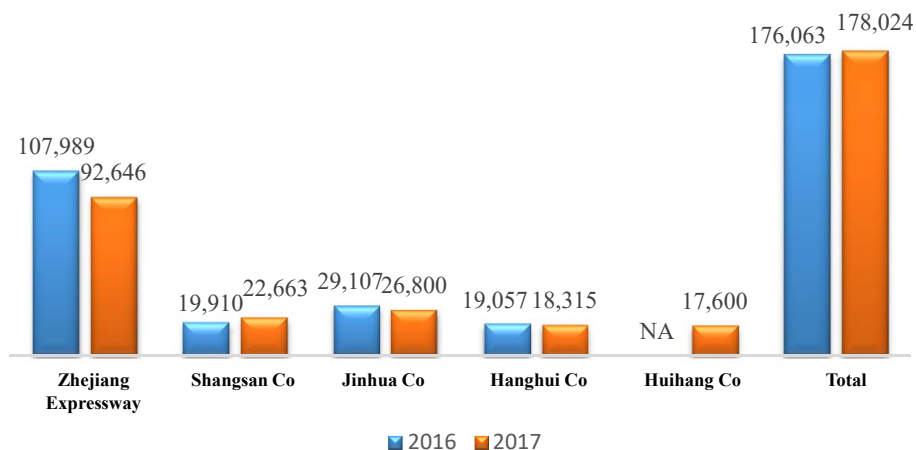
TOTAL GREENHOUSE GAS EMISSIONS OF ZHEJIANG EXPRESSWAY CO., LTD.

Source of emission		2016 ^①			2017		
		Physical consumption	Unit	Emission (tCO ₂)	Physical consumption	Unit	Emission (tCO ₂)
Emission from fossil fuel combustion	Gasoline	454,543	L	1,009.57	480,939	L	1,068.19
	Diesel	718,332	L	1,942.95	729,383	L	1,972.84
Inherent emission from purchased net electricity	Electricity	23,614,864	kWh	16,613.06	25,647,854	kWh	18,043.27
Inherent emission from net purchased thermal power	Nil	/	/	/	/	/	/
Total greenhouse gas emissions of the enterprise	Excluding the inherent CO ₂ emission from net purchased electricity and thermal power (tCO ₂)	/	/	2,952.52	/	/	3,041.03
	Including the inherent CO ₂ emission from net purchased electricity and thermal power (tCO ₂)	/	/	19,565.57	/	/	21,084.30

① The statistics are not exhaustive as Huihang Co was incorporated in 2016. Accordingly, the accounting of greenhouse gases in 2016 excludes the statistics of Huihang Co.

3.4 Water resources consumption and intensity

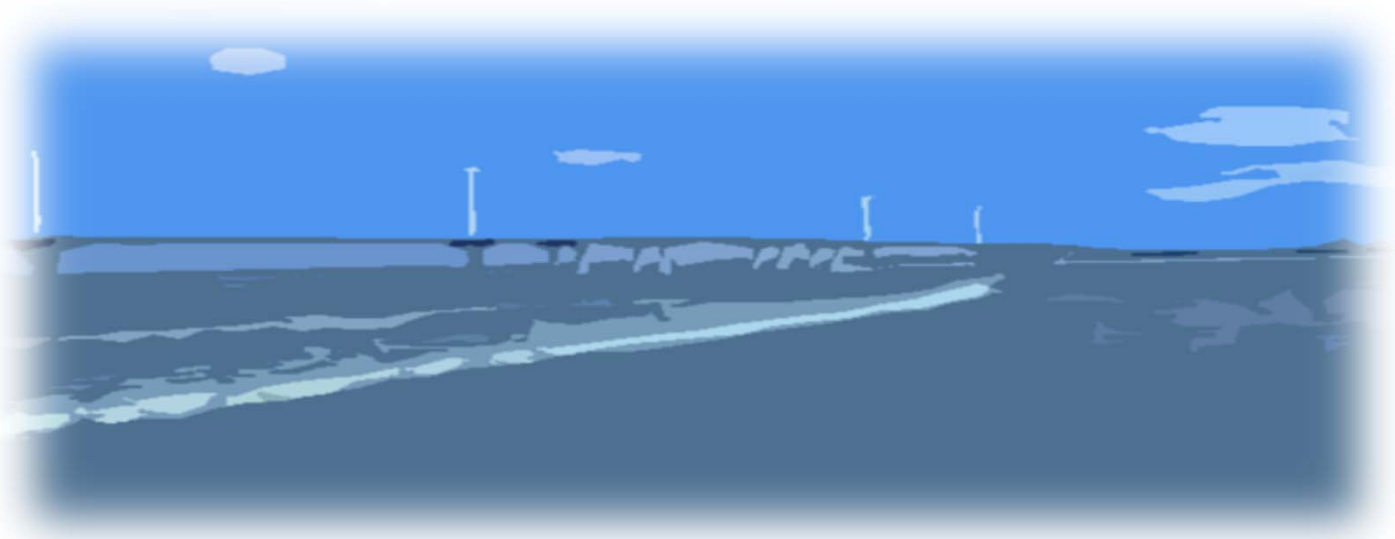
Water consumption in 2016-2017 (m³)



In 2017, total water consumption of Zhejiang Expressway Co., Ltd. was 178,024 m³, up by 1.11% from 2016, mainly due to the incorporation of Huihang Co under the Company's management since 2017, which increased water consumption by 17,600 m³.

Zhejiang Expressway, which accounts for the largest percentage of water consumption, achieved the highest water saving. In 2017, its water consumption was down by 15,343 m³ or 14.21% from 2016.

In 2017, water consumption intensity was 268.432 m³/km, compared to 302.722 m³/km in 2016. In 2017, water consumption **intensity** was **down by 11.33%** from 2016, which demonstrated efficient water saving.





4 THE ENVIRONMENT AND NATURAL RESOURCES



As at 31 December 2017,

greening area of the slopes at
the sides of the road was to

4,695,600 square metres

greening area of the
interchanges was

1,822,000 square metres

greening of the road's
central isolation belt was

662.83 km

Upon tendering, the Company requires the constructors to comply with environmental protection requirements for the construction of living facilities while strengthening the awareness on environmental protection and dust control measures by hardening the central site of construction and sprinkling water frequently such that the agricultural crops and green vegetation near the construction site are free from dust pollution. Contractors shall make use of technologies and management measures to control the noise of construction and treat wastes in a timely manner so as to ensure the construction of living facilities is in compliance with environmental requirements and subject to supervision by local government and relevant authorities.



Planting green vegetation based on local conditions of the places where the basic stations are located, such as planting fruit trees and seasonal agricultural crops, is conducive to developing farm economy as well as greening upgrade and transformation, while enhancing the capacity and outlook of the basic stations. At the same time, a volunteer tree planting event themed "Make an effort to save the environment" has been introduced to raise the awareness of the employees on environmental protection and eco-environmental protection.

IMPROVEMENT

5 EMPLOYEES

The Company strives to create a corporate value system of integrity, harmony, openness and aggressiveness. By providing a sound working environment and an upbeat working atmosphere for its employees, the Company endeavours to build a career platform that can facilitate employees to explore their potentials.

Policy and compliance



Campus recruitment
Community recruitment
Referral and self-recommendation
Recruitment agency
.....



As at 31 December 2017, the Company had a total of **3,400** employees with male/female ratio of 59%:41%. Female employees increased by 1% as compared with that in the same period last year. Among which, there are 63 mid-level or above management personnel. Our employees are mainly from Zhejiang, Anhui, Fujian, Henan, Hubei, Jiangsu, Jiangxi, Heilongjiang, Shaanxi and Sichuan.

2 adherences

Adherence to the requirements of the position regardless of region, gender, experience and qualifications

Adherence to the open and fair talent selection and recruitment principle featuring “morality and talent with focus on performance and morality first”

2 implementations

Implementation of a remuneration system which determines grade based on position and hierarchy based on capabilities with performance-based income

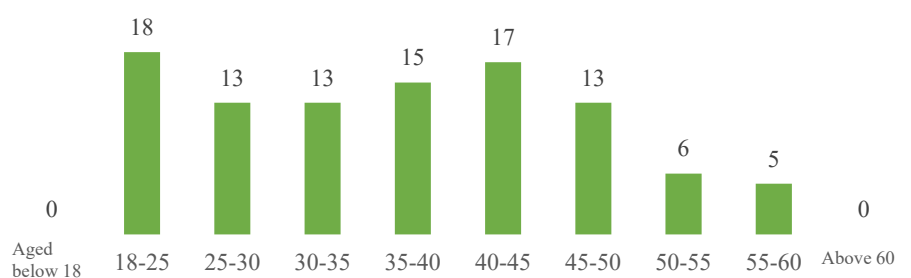
Implementation of a career development path that encourages competition for the position with dual choices, democratic election and position exchange

2 provisions

Provision of a remuneration package including basic salary, incentive bonus and paid leaves

Provision of a remuneration package with additional benefits of medical care and corporate annuities for contract employees

Employee Age Distribution (%)



Employees aged 45 or below account for the majority, representing 76% of the total number of employees.

During the reporting period, the number of employees of the Company decreased by 563 or 14.21% as compared with that in the same period last year. The decrease mainly refers to the labourers aged below 30 with male/female ratio of 6:4, which is basically the same as that for general employees. There was no apparent geographical differentiation for departing employees.



6 OCCUPATIONAL HEALTH AND SAFETY



Upholding the management principle of integrating the operations with production safety, the Company endeavours to implement production safety target accountability system and safety risk security deposit system which clearly state the duties and responsibilities of production safety for each position and set out the standardised safety operation procedures tailored to the job features of the position. The Company strives to strengthen the supervision and review of production safety with focus on the frontline works and operation sites.

During the reporting period, the Company carried out special safety checks and **54** random checks with “four Nos and two Straights” (no notice, no greeting, no listening to report, no escort, straight to the basics and straight to the site) and identified **185** issues and deficiencies. The Company implements a **“zero tolerance”** policy regarding the issues and deficiencies identified and demands rectification, tracking and verification within a specified period. Based on the actual conditions, the Company timely carries out identification of the sources of occupational health and safety hazards and risk assessment as well as formulates management measures. Our occupational health and safety management system has been certified by a third-party institution.

6.1 TRAINING ON PRODUCTION SAFETY

During the reporting period, the Company continued to push ahead the standardisation of production safety of expressway enterprises and the standardisation of production safety of workshops, and made amendments to eight systems including the Administrative Measures on Production Safety, Accidents and Deficiencies to comprehensively revise the documents on the standardisation of production safety and implemented them. The Company maintains the Level 2 Certification for Standardisation of Production Safety of Transport Enterprises. The Company introduced a myriad of safety warning education programmes and trainings. Traditional events included **“Production Safety Month”**, **“Ankang Cup”** and **“Occupational Diseases Prevention Publicity Week”**, whereas popular themed events such as production safety quiz, safety essay competition and safety photography contest were also organised to create strong safety ambience and drive the development of the Company’s safety culture.

During the safety month, the Company trained more than **3,400** employees and distributed approximately **6,000** promotion pamphlets, which effectively strengthened the safety management of all employees. In addition, the following events were held:

Special Events

Seminar on safety site

Promotion of safety management
experience

Advanced study on safety issues

Benchmark enhancement

Special action plan for identification and rectification of
production safety deficiencies

Research on Beijing’s “Super Safe” safety
management smart cloud IT platform management

Marching toward the Company’s management objective of becoming
“the leading operator in China and a top-notch operator globally”

The Company has established stringent access examination and subsequent monitoring and management system with respect to road maintenance as well as electrical and mechanical construction. These constructor service providers are subject to the occupational health and safety management system of the Company. During the reporting period, no material incident of production safety, liability and occupational hazards were experienced by the Company and the construction service providers.



6.2 OCCUPATIONAL HEALTH



During the reporting period, the Company paid **RMB895,000** for personal accident insurance for employees, **RMB1,665,000** for employee body check and **RMB10,670,600** for labour protective supplies, up by 31.23%, 1% and 5% respectively year-on-year. During the reporting period, no material incident of work injury or casualty of employees was identified.

To ensure the mental health of employees, all basic stations are equipped with a dedicated room for mental health consultation and emotion ventilation with a psychology specialist to provide assistance. Among which, **five** of them possess registered psychologist qualifications.



**Emotion
ventilation room**



**Mental health
consultation room**





7 DEVELOPMENT AND TRAINING



Talent training

The Company has formulated and implemented a talent training and development system that meets the actual needs of the Company where quality personnel are prioritised training, core personnel are subject to key training, scarce personnel are subject to intensive training and general personnel are subject to systematic training.

At the same time, the Company has set up an online training platform via OA to encourage and guide employees to make use of their leisure time to add value via the online platform.

Quality and skill trainings on mid management development, young officer training, art of management of new generation employees, PPP project policies and practices have been organised.

During the reporting period, the Company revised the Administrative Measures on Non-Executive Personnel and promulgated the Opinions on Further Strengthening Team Building to gradually develop a dual path model for the promotion of executives and non-executives (professional technicians).



Employee training

The Company encourages employees to participate in training and education, and rewards employees that meet the education requirements and attain education achievements as appropriate. Tailored to the job characteristics of employees, trainings by category and by hierarchy are provided, namely training on comprehensive management knowledge, training on professional techniques and training on production position skills to enhance the business skills and management standards of employees. During the reporting period, total expenditures on education and training amounted to **RMB5,478,000**, up by **13.40%** year-on-year. Training percentage of employees reached **100%**.

Training hours

Non-management personnel	General management personnel	Mid management personnel	Senior management personnel
8 hours	60 hours	100 hours	Above 50 hours



Industry benchmark

Dai Zhigang Skill Master Workshop under the Company's Ningbo Management Office is a provincial skill master workshop accredited by Zhejiang Human Resources and Social Security Bureau. On 6 November 2017, it was named among the seventh batch Zhejiang High Skilled Talents (Labour) Innovation Workshop by Zhejiang General Labour Union and Science Technology Department of Zhejiang Province.

Since its establishment in March 2016, the workshop has published **13** articles in provincial and national publications namely China ITS Journal, China New Technologies and Products, Technology Innovation and Application and Zhejiang Transportation Economy; won **14** honours from China Highway & Transportation Society; obtained **10** national patents; and completed **88** technological renovation projects.



8 LABOUR STANDARDS

Mental health

At the dedicated mental health consultation room and emotion ventilation room inside the basic station, the Company has a part-time qualified psychologist to provide mental consultation and counselling to employees and to guide them toward happy working and happy living while maintaining a rational and peaceful mind.

Wage protection

Any material changes to the employee remuneration and labour interests are subject to approval at the employee representative meeting. A wage increment system has been established which states that the annual increment shall be no less than 3%. A dispute resolution committee has been established to protect the labour interests. The Company has also set up a fund to help employees in distress.



Satisfaction

During the reporting period, the Company received more than **500** complaints and recommendations from employees. Of which, more than **400** complaints have been resolved. Employees are **satisfied in general**. At the same time, the Company has established the system where leaders regularly visit employee representatives. During the reporting period, the visits have shown that employees are satisfied in general.

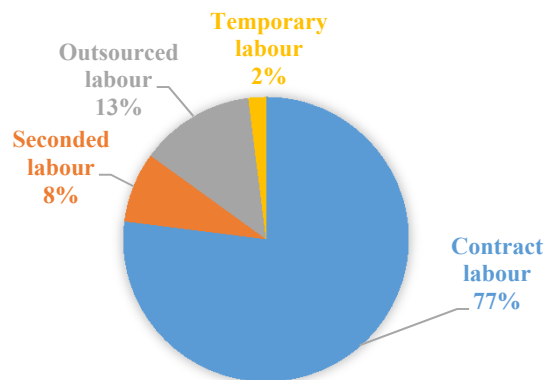
Leisure activities

The Company is supportive of employees developing healthy hobbies and has therefore established a variety of clubs including photography, cultural affairs, basketball, outdoor activities, swimming, badminton and table tennis, inviting approximately **2,500** employees to participate. These clubs not only spice up the leisure life of employees, but also effectively alleviate the stress from work.



8 LABOUR STANDARDS

During the reporting period, the Company strictly abided by the labour laws and regulations and observed the employment policy of impartiality. In particular, the Company was in compliance with regulations regarding the special protection of women's and children's rights. Child labour and forced labour are **strictly prohibited**. Labour contract rate was **100%**; and social insurance coverage was **100%**. No labour dispute was identified. The Company has four types of employment including contract labour, seconded labour, outsourced labour and temporary labour.



EMPLOYMENT PERCENTAGE

The percentage of employment secondment is in compliance with the Interim Provisions on Employment Secondment where employees are entitled to the rest days and paid leaves.

The Company implements the “three-period” protection for female employees in accordance with the laws. At the basic stations, female employee washroom, snooze room for pregnant women and breastfeeding room are set up according to the needs of female employees. The Company has established a medical assistance mechanism comprising a fund for employees in distress, a party member caring fund and year-end greetings to prevent employees from poverty and illness.

During the reporting period, total expenditures on the Company's assistance funds amounted to **RMB240,000**, up by **69%** from the previous year.



Snapshot of employees of
Ningbo Management Office



9 SUPPLY CHAIN MANAGEMENT

Under the tender system, the Company has **34** construction suppliers and **9** electrical and mechanical equipment and installation suppliers with the total contract amount of approximately **RMB339** million, involving projects in maintenance, safety facilities improvement, equipment replacement and new purchases.

The selection and confirmation of suppliers of the Company are subject to the Administrative Measures on Public Tender and Bid under the principles of openness, fairness, justice and integrity where the suppliers that meet the scope and standards of the project are prioritised and selected through tender, competitive negotiation and price consultation.

The tender and bidding management committee and the assessment committee are established. Any member having a conflict of interest with potential suppliers shall abstain from voting.

Basic Situation

Cooperation

Assessment

Compliance

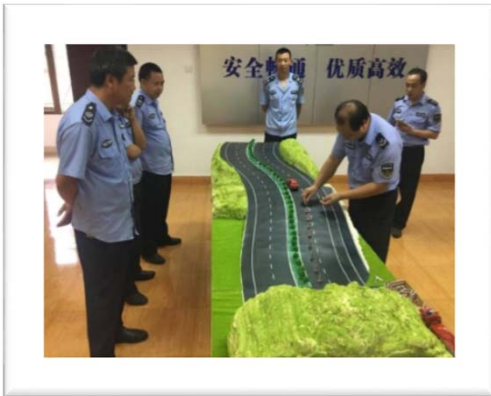
Meanwhile, the Company carries out ongoing review and assessment on suppliers occasionally as well as post-project evaluation management of suppliers upon expiry of the project or annually to comprehensively evaluate the suppliers in areas of contract performance, quality, cost control, wage payment, production safety, clean policy development, quality and safety accidents and social adverse events (veto indicator). Suppliers are managed under a ranking system where suppliers graded IV will be directly eliminated.





10 PRODUCT RESPONSIBILITY

The Company has put in place a quality control policy highlighting “safety, smooth passage, quality and efficient services”. Ensuring that expressways and their facilities are in good condition with flat surface and smooth passage is a core responsibility of the Company’s products and services. To better fulfil its core responsibilities, the Company has built a standardised toll service system and launched a hotline (12122) for the expressways in Zhejiang Province. The Company regulates the time of recorded vehicle videos that are maintained with the Company and the enquiry process. The Company has a team of courteous employees who receive toll fees in accordance with the system. Our quality control system is **certified** by the third-party institution.



In addition to the “Quality Year” that has been launched for approximately two years after stabilisation, the Company kicked off the “Year of Service Optimisation” this year with focus on developing the “model expressway in terms of quality maintenance” to further enhance the quality of maintenance. During the reporting period, there were 486 traffic accidents due to road spill (excluding Huihang Co). Compensation amounting to RMB5,234,900 was paid under the contractors’ all risks insurance. No similar traffic accidents where the Company was sanctioned by court to make compensation took place.

During the reporting period, road maintenance costs of the Company amounted to **approximately RMB361 million** (including RMB18.80 million from Huihang Co which was newly acquired), mainly used for disease treatment of road surface of **280,000** square metres, pavement overlay of **60.2 km**, overlay for **71** bridge areas, maintenance and reinforcement of **118** bridges and **16** tunnels and reinforcement and treatment of **36** slopes. After the annual inspection of Highway Bureau of Zhejiang Province, the pavement quality indicator (PQI), pavement condition index (PCI) and road quality index (RQI) of the expressways of the Company score **over 92 points**. Various technology indicators have met the assessment requirements of Highway Bureau of Zhejiang Province and the requirements of the Implementation Opinions on Strengthening the Operations and Management of Expressways in Zhejiang Province (Trial) (Zhe Jiao [2017] No. 18).



10.1 OPERATIONS MANAGEMENT



During the reporting period, the Company kicked off a series of events under the “**Year of Service Optimisation**”. In addition to standardising the toll service of expressways in operation, the Company endeavours to enhance customer experience. While further strengthening the quality control system, the Company has introduced a range of diversified service monitoring measures including third-party site testing and assessment, video assessment, mystery inspection, third-party monitoring and smart evaluation via smile system.

Operations

During the reporting period, total number of vehicles passing through the toll stations of our expressways was **238,579,300**, up by 10.9% year-on-year;

There were **1,044,500** free green agricultural vehicles and the toll waiver amounted to approximately **RMB171,270,600**, up by 14.83% and 5.34% respectively year-on-year.

Smooth passage

No. of days of smooth road passage was **336** days, up by **3.7%** year-on-year.

Congestion rate was 0.021% (time of congestion over 1km * length/total mileage * 365 * 24);

Cumulative no. of ETC lanes was 188, **up by 11.24%** year-on-year;

Seven new lanes are installed with automatic card device at entry gate, adding to **125** lanes cumulatively installed with automatic card device at entry gate;



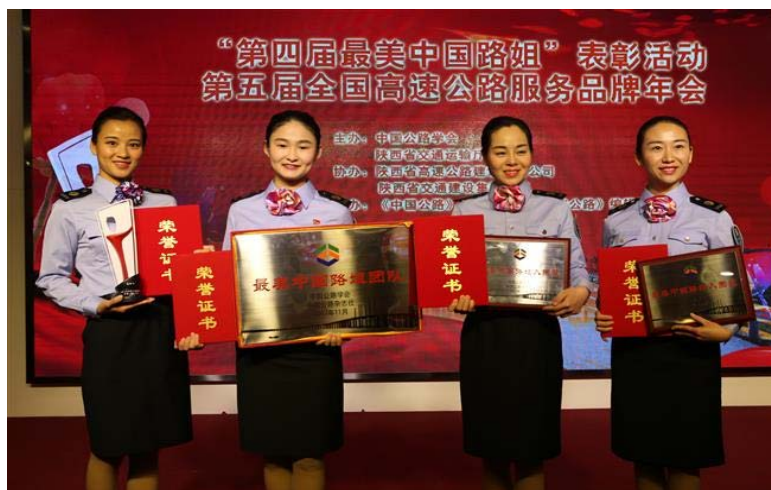
Internet+

Currently, Scan Alipay is available at Shanghai-Hangzhou-Ningbo Expressway and Shangsang Expressway, accounting for **58.67%** of total mileage. Riding on the “Internet+” momentum, the Company is stepping up efforts to promote the application of contactless payment technology.



10.2 SERVICE OPTIMISATION

The Company further pushes ahead the development of the service management system which centers around the elements of clean and neat image, focused service, simple and efficient service as well as natural and pleasant service with a view to strengthen the toll service works. The Company has revised the Standards for Toll Service Management and the Measures for Toll Service Quality Assessment to improve and simplify the toll service standards from the customers' perspective and to highlight the importance of both in-station service and field service, thus facilitating the enhancement of overall standard of services at the toll stations.



100%

Smile service:

100%

Quality service:

During the reporting period, the Company's 24-hour hotline processed a total of 71,109 enquiries and complaints. Among which, there were 92 customer complaints, down by 41% year-on-year.

Average response time for complaints was 7.85 minutes, down by 0.17 minute from 2016. Customer complaints handling and response rate was 100%.

The Company undertakes that the average time required for emergency road assistance service from time of call should not exceed 25 minutes and the actual time required is approximately 12.65 minutes¹, whereas the average time required for emergency service should not exceed 30 minutes and the actual time required is 18.92 minutes² on average.



In November, the Company intensively introduced the customer satisfaction survey, sending out questionnaires to customers on the scale of 20 surveys per toll station, 50 surveys per service region and 30 surveys per major client. 2,643 valid questionnaires were collected. Based on the statistics, the overall customer satisfaction rate was 97.53%.

During the reporting period, no litigation relating to intellectual property rights, nor litigation relating to divulgement of customer data was identified.

4th "Most Beautiful Road Collector in China" election organised by China Highways & Transportation Society

Toll collector, MA Hongfei was named the "Most Beautiful Road Collector in China" in 2017

Toll collectors, GUO Lu and YANG Pengfei were named the "Finalists of the Most Beautiful Road Collector in China"

Team "Hui Lan Xing" was named the "Most Beautiful Road Collector Team in China"

Fuchun toll station won the title of national women civilisation position

Huzhou toll station won the title of national women civilisation position

1 and 2 Greenhouse gas emission unit; as to Huihang Co, as there were no data for the indicator during the reporting period, the indicator was not included in the assessment.



11 ANTI-CORRUPTION

The Company has established a legal internal audit department and a discipline monitoring office. Part-time discipline inspection officers are allocated to each basic station to strengthen the anti-corruption and anti-bribery internal control.

Go to court trials
Set bottom lines
Learn the fear



By introducing the “Sunlight project: Role model of clean practice” campaign, “Clean family” themed education event and “Qing Feng” column in Wechat public platform, coupled with the leaders’ routine reports on work, clean practice, integrity practice and compliant practice, who are subject to the democratic review by all employee representatives, as well as the clean and disciplinary inspection routine meetings, the disciplinary inspection reviews and patrols, monitoring audit and the police-enterprise cooperation, the Company effectively combats against and eliminates the risks associated with clean practice in the course of operations and management.



During the year, the Company revised or optimised various systems and strengthened the check and balance as well as monitoring between various function departments in the course of business.

The Company has entered into the Letter of Responsibilities for Party Construction Work Objectives with its direct business units and subsidiaries, and the Letter of Undertaking of Clean Practice with the mid-level or above management and all key personnel in finance, human resources and tendering to implement the one-on-one accountability system which states the leader as the first responsible person.



During the reporting period, no incident of corruption in violation of the laws and regulations was identified.



12 COMMUNITY INVESTMENT

While actively participating in the development of civilised units, the Company is passionate about public welfare and takes a proactive approach in providing partner assistance to those in distress, whether materials-wise, spirit-wise and ability-wise. In addition to enhancing the level of civilisation and quality of the people in the partnered villages, it pushes ahead the development moral values, enriches the leisure and cultural life of villagers, improve the living environment and living values of villagers and cares for the left-behind children.



During the reporting period, the Company provided partner assistance to **five** natural villages to share the spirit of cultural living and provided subsidy to **10 poor** students totalling **RMB20,000**.

The Company organised four volunteer activities each month on average, adding to approximately **48** volunteer activities each year, inviting **2,580** volunteers to participate. Expenditures on volunteer service amounted to approximately **RMB80,000**.

Volunteer activities

The Company gathers strength from party members to establish a number of volunteer service teams and steps up efforts in launching volunteer service activities such as expressway vehicle consultation, convenient service, free blood donation, safe driving promotion, smooth emergency passage during festive seasons and civilised traffic guidance.

Donation activities

The Company is supportive of the cultural and sports development in Zhejiang and has entered into donation and cooperation agreements with Zhejiang Provincial Sports Bureau. During the reporting period, the Company made a donation of **RMB1 million** to Zhejiang College of Sports for education, scientific research and talent training.

13 INDICATOR INDEX

Aspects	Indicator no.	Description of the indicator	Disclosure	Location in the report
Environmental				
A1: Emissions	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	√	P6 – P10
	A1.1	The types of emissions and respective emissions data.	√	P6
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	√	P8 - P9
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	√	P6
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	√	P6
	A1.5	Description of measures to mitigate emissions and results achieved.	√	P10
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	√	P6/P10
A2: Use of Resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	√	P7
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	√	P8
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	√	P10
	A2.3	Description of energy use efficiency initiatives and results achieved.	√	P8
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	√	P10
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable as it is a service	
A3: The Environment and Natural Resources	General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	√	P11
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	√	P11

Aspects	Indicator no.	Description of the indicator	Disclosure	Location in the report
Social				
B1: Employment	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	√	P12
	B1.1	Total workforce by gender, employment type, age group and geographical region.	√	P12
	B1.2	Employee turnover rate by gender, age group and geographical region.	√	P12
B2: Health and Safety	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	√	P13
	B2.1	Number and rate of work-related fatalities.	√	P14
	B2.2	Lost days due to work injury.	√	P15
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	√	P15
B3: Development and Training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	√	P16
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	√	P16
	B3.2	The average training hours completed per employee by gender and employee category.	√	P16
B4: Labour Standards	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	√	P17 – P18
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	√	P17/P18
	B4.2	Description of steps taken to eliminate such practices when discovered.	√	P17
B5: Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain.	√	P19
	B5.1	Number of suppliers by geographical region.	√	P19
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	√	P19

Aspects	Indicator no.	Description of the indicator	Disclosure	Location in the report
B6: Product Responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	√	Health and safety P13/P17/P21 Advertising and labelling are not applicable as it is a service
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable as it is a service	
	B6.2	Number of products and service related complaints received and how they are dealt with.	√	P22 Product returns are not applicable as it is a service
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	√	P16
	B6.4	Description of quality assurance process and recall procedures.	√	P20
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	√	P22
B7: Anti- corruption	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	√	P23
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	√	P23
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	√	P23
B8: Community Investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	√	P24
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	√	P24
	B8.2	Resources contributed (e.g. money or time) to the focus area.	√	P24

VERIFICATION STATEMENT OF ESG REPORT

Pursuant to the engagement by Zhejiang Expressway Co., Ltd. (“Zhejiang Expressway” or the “Company”), Hangzhou Wantai Attestation Limited Company (“Wantai Attestation”) has conducted an independent audit verification on the 2017 ESG report of Zhejiang Expressway (the “Report”).

Zhejiang Expressway is responsible for the information collected, analysed, compiled and disclosed in the Report, whereas Wantai Attestation is responsible for verifying the implementation of the contents of the Report within its terms of reference under the agreement with Zhejiang Expressway. Zhejiang Expressway is the customer designated under the Verification Statement. The Verification Statement is based on the 2017 ESG report prepared by Zhejiang Expressway. Zhejiang Expressway takes responsibility for the completeness and truthfulness of the information in the Report.

Scope of Audit Verification

- the accuracy and reliability of the Report as to key performance indicators, information and management systems in the year of disclosure (2017);
- the locations of verification including relevant departments of Zhejiang Expressway Co., Ltd., which is situated at No. 2, Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, China, namely the party group department, human resources department, operations department, project engineering department and equipment department, as well as the Information Centre and Hangzhou Management Office in Yunfeng, Pengbu Town, Hangzhou City. We did not interview other business units and stakeholders of Zhejiang Expressway Co., Ltd.;
- We assessed the processes including collection, analysis and inspection of the information in the Report.

The period of verification is January, 17-18, 2018.

Verification Method

The verification process includes the following activities:

- Assess the information and documents provided by Zhejiang Expressway;

- Interview the personnel responsible for collecting the information and documents of Zhejiang Expressway;
- Examine the public information published on the related websites and media, and verify the relevant information in the Report by random;
- Assess the balance of the content and reporting structure, comparability, accuracy, timeliness, clarity and reliability of the data disclosed in the Report with reference to the requirements of ESG Reporting Guide in the Appendix 27 to the Rules Governing of the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange Listing Rules”) (the “ESG Reporting Guide”).

Verification Conclusion

- The 2017 ESG Report prepared by Zhejiang Expressway Co., Ltd. objectively reflects the progress of the Company’s performance of social responsibilities in 2017 and the performance results obtained. By random verification, the information in the Report is reliable and objective. Wantai Attestation is not aware of any systematic or material mistakes. The information disclosure is clear, understandable and available;
- Themed “making concerted efforts in pursuit of excellence”, the Report has responded to the implementation of the ESG Reporting Guide of the Stock Exchange in the manner that corresponds to Appendix 27 after taking into account the Company’s vision, mission and core values, and has also responded to the expectations and demands of the stakeholders.

Rectification Recommendations

Through verification and assessment, we have made the following rectification recommendations with respect to Zhejiang Expressway’s practice and management of social responsibilities:

- More disclosure of the enterprise on the environmental performance of packaging materials such as toll card and management of waste gases, wastewater and solid wastes is advised to better prepare for further implementation of the information disclosure of key performance indicators under the ESG Reporting Guide;

- The Company is advised to further define the sustainability strategy and formulate feasible action plans with respect to the practice of social responsibilities among the business departments and carry out regular and ongoing assessment and amendment;
- The Company is advised to further enhance the information disclosure on the performance of duties of the subsidiaries.

Special Statement:

- The Verification Statement does not include:
- Activities other than information disclosure;
- Statements regarding the positions, views, beliefs, objectives and future development directions and undertakings of Zhejiang Expressway.

Statement of Independence and Capacity:

Hangzhou Wantai Attestation Limited Company is the most longstanding third-party professional institution in China engaging in attestation. The qualifications of Wantai Attestation are recognised by Certification and Accreditation Administration of the People's Republic of China ("CNAS") and ANSI-ASQ National Accreditation Board. Its businesses cover three major types of attestation namely management systems, products and services. It is currently one of the large-scale comprehensive attestation institutions in China with the most complete range of certifications and qualifications and largest scope of business.

Hangzhou Wantai Attestation Limited Company warrants that there is no conflict of interest with Zhejiang Expressway Co., Ltd. or its branches and stakeholders in the course of verifying the ESG Report. All of the information in the Report is provided by Zhejiang Expressway. Wantai Attestation is not involved in the compilation of the Report.

General Manager

Date: 2018.01.18